

Message Text

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PAGE 01 JAKART 02211 220700Z

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ACTION EA-10

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 6703

C O N F I D E N T I A L JAKARTA 2211

E.O. 11652: GDS

TAGSC CPRS BEXM EINV ETRD ID

SUBJECT: P.T. BAUD CASE

REF: STATE 035219

1. IT IS MY CONSIDERED OPINION THAT CHARLES SULLIVAN
AND AMERICAN EMBASSY OFFICIALS HAVE WORN OUT THEIR
WELCOME WITH INDONESIANS IN JAKARTA ON P.T. BAUD CASE.

2. SULLIVAN'S STRATEGY FROM BEGINNING HAS BEEN TO FORCE
SETTLEMENT FAVORABLE TO HIM BY HOLDING OVER INDONESIANS
THREAT OF CONGRESSIONAL ACTION WHICH WOULD CUT OFF
CONCESSIONAL AID AND EXIM LOANS. IN OUR VIEW,
SULLIVAN'S STRATEGY IS NOT WORKING AND IS NOT LIKELY
TO WORK.

3. THERE IS NO LACK OF AWARENESS AMONG SENIOR INDONESIANS
OF SULLIVAN'S CLAIM AND OF HIS TACTICS. I HAVE PERSONALLY
RAISED MATTER WITH MALIK, WIDJOJO, WARDHANA AND SUDHARMONO.
AMBASSADOR RUSMIN HAS RAISED SUBJECT WITH PRESIDENT
SUHARTO. FORMAL INDONESIAN REPLY HAS FOLLOWED ALL THESE
DEMARCHES.

4. FACT IS THAT BALANCE MAY NO LONGER BE SUFFICIENTLY IN
OUR FAVOR TO SUPPORT PRESSURE TACTICS. INDONESIANS STILL
WANT OUR AID, EXIM CREDITS, AND U.S. PRESENCE, BUT ARE
LESS WILLING TO PAY PRICE OF BOWING TO UNACCEPTABLE
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PAGE 02 JAKART 02211 220700Z

PRESSURES. I HAVE FEELING THAT WIDJOJO, WHO IS NOW

EXTREMELY INFLUENTIAL HERE, HAS PARTICULARLY RESENTED PRESSURES ON BAUD CASE AND THAT INDONESIAN REPLY REFLECTS HIS PERSONAL FEELINGS.

5. SULLIVAN'S LATEST PROPOSAL FOR WIDE CIRCULATION OF BRIEF BY FORMER SECRETARY ROGERS RUNS RISK OF FURTHER HARDENING INDONESIAN POSITION. I WOULD HOPE ALSO THAT IN FACING THIS EFFORT THERE WOULD BE AT LEAST SOME MEMBERS OF CONGRESS WHO WOULD BE PREPARED ACCEPT DEPARTMENT'S ARGUMENTS THAT STRONG DIPLOMATIC EFFORTS HAVE BEEN MADE, THAT CASE IS COMPLICATED, WITH STRONG ARGUMENTS ON BOTH SIDES, AND THAT PUNITIVE CONGRESSIONAL ACTION WOULD NOT SOLVE CLAIM BUT WOULD RUN RISK OF ERODING U.S. ECONOMIC AND POLITICAL POSITION IN SIGNIFICANT ASIAN COUNTRY.

6. WE RECOGNIZE THAT CONTINUATION OF THIS UNSOLVED CASE PRESENTS SERIOUS PROBLEMS FOR US IN WASHINGTON. IN OUR VIEW, HOWEVER, ONLY NEW APPROACH IS LIKELY TO BE SUCCESSFUL NOW. ACTIVE ENTRY OF FORMER SECRETARY ROGERS INTO CASE MAY PROVIDE SUCH NEW ELEMENT. I WOULD STRONGLY SUGGEST THAT DEPARTMENT, BY WORKING WITH SULLIVAN AND ROGERS' FIRM MAKE ARRANGEMENTS SO THAT, INSTEAD OF CIRCULATING BRIEF BY SECRETARY ROGERS AS SULLIVAN PROPOSES, I BE AUTHORIZED TO SAY TO FOREIGN MINISTER MALIK THAT, SULLIVAN HAS NOT ACCEPTED INDONESIAN OFFER AND PROBLEM STILL EXISTS. HE HAS ENGAGED FORMER SECRETARY ROGERS AND THAT ROGERS OR SENIOR MEMBER OF HIS FIRM PREPARED COME TO INDONESIA FOR FULL REVIEW OF MATTER WITH APPROPRIATE AUTHORITIES AND THAT I WOULD STRONGLY RECOMMEND THIS BEFORE FINAL DECISIONS ARE MADE ON EITHER SIDE. WE WOULD GAIN FROM ASSOCIATING HIS INTEREST WITH CONCILIATORY APPROACH. WE WOULD, IN MY OPINION, LOSE THIS OPPORTUNITY IF SECRETARY ROGERS' NAME IS ASSOCIATED WITH BRIEF WIDELY CIRCULATED BY SULLIVAN AS FURTHER EFFORT TO INSPIRE CONGRESSIONAL OR ADMINISTRATIVE ACTION AGAINST INDONESIA.

7. RE STATE 036494, I BELIEVE GOI UNDERSTANDS OUR POSITION, BUT FEELS IT HAS GENUINE ASIS, BOTH IN LEGAL TERMS AND IN PRECEDENTS, FOR LOWER FIGURE OFFERED SULLIVAN. SHOULD
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PAGE 03 JAKART 02211 220700Z

I
E INSTRUCTED TO SEE MALIK, HOWEVER, I COULD MAKE POINTS
IN PARA 3.
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